

East Renfrewshire Integration Joint Board

**Annual Audit Report
Year Ended 2023/24**

[27 September 2024]



Building a better
working world

This report has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor East Renfrewshire Integration Joint Board for financial years 2023/24 to 2026/27.

This report is for the benefit of the Board and is made available to Audit Scotland and the Accounts Commission (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Accessibility

Our report will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018. Compliance is the responsibility of the individual body publishing the document.

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1. Key messages

Financial statements



Financial statements

Our assessment: **Green**

[We have concluded our audit of the financial statements of East Renfrewshire Integration Joint Board for the year ended 31 March 2024.]

The draft financial statements and supporting working papers were of a good quality. During the course of the audit, we identified no audit differences. Minor presentational amendments were made to the financial statements during the course of the audit.

Overall, we were satisfied that the Annual Governance Statement, reflects the requirements of CIPFA's updated *Delivering Good Governance Framework*.



Going concern

Our assessment: **Green**

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under auditing standard ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The IJB has concluded that there are no material uncertainties around its going concern status, however it has disclosed the nature of significant financial risks within the going concern period. The Integration Scheme sets out the responsibilities of the IJB's partners, East Renfrewshire Council and NHS Greater Glasgow and Clyde, in the event that the IJB has insufficient general reserves to respond to additional financial pressures. During 2023/24 both provided additional resources to the IJB to respond to financial recovery measures. [We have no matters to report in respect of our work around going concern or the conclusions reached by the Board.]

- Our auditor judgements are RAG rated based on our assessment of the adequacy of the
- IJB's arrangements throughout the year, as well as the overall pace of improvement and
- future risk associated with each area. This takes account of both external risks not within the IJB's control and internal risks which can be managed by the Board, as well as control and process observations made through our audit work.

Wider scope



Financial management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.

Our assessment: Amber

The IJB recognised that the 2023/24 budget presented its most significant challenge to date. As a result of significant cost pressures, the IJB was required to identify savings of over £7 million to set a balanced budget in March 2023 and planned to use £1.9 million of reserve balances.

The IJB delivered £2.7 million (39%) of the targeted savings and as a result entered financial recovery planning during the year. Additional contributions were received from both of the IJBs partners. Management and members of the IJB recognise that it underestimated the impact and timeframe of the changes required to implement the Supporting People Framework.



Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Our assessment: Red

In line with the IJB's financial planning expectations, the Board's reserve balances continued to fall significantly in 2023/24 to an unsustainable level. The IJB's General Reserve at 31 March 2024 has now been depleted in full.

The IJB estimates that the cumulative budget pressure in the period 2025/26 to 2028/29 may in the range £16.5 -£29.2 million. A savings requirement of £11.9 million has been set in the 2024/25 budget but delivery is currently off target, which would result in an additional recurring pressure in future years.



Vision, leadership & governance

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our assessment: Green

Governance arrangements are established and worked well throughout 2023/24. The Annual Governance Statement was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the CIPFA Good Governance framework.

The IJB's partners made progress to update the Integration Scheme, including a consultation with key stakeholders. The Integration Scheme is expected to be approved by Scottish Ministers later in 2024.



Use of resources

The IJB's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

Our assessment: Green

The IJB has a well-developed approach in place to monitor and report on key areas of performance and was able to demonstrate key areas of improvement in 2023/24.

Overall performance remains mixed, and the IJB continues to highlight significant and ongoing financial risks within its risk registers that may undermine the delivery of the Strategic Plan.

Best value



Best Value

All local government bodies have a duty to make arrangements to secure best value.

The IJB's performance management and financial reporting arrangements allow the Board to demonstrate the delivery of Best Value. The Annual Performance Report describes the key achievements and areas for improvement against the priorities within the Strategic Plan 2022-25.

The financial outlook for the IJB has continued to weaken. General reserves have been exhausted and remaining earmarked reserves have fallen to unsustainable levels. As a result of being unable to deliver planned savings in year, the IJB commenced a financial recovery exercise to bridge in-year budget gaps with its partners.

In our view, the IJB's performance management and financial reporting arrangements allow the Board to demonstrate the achievement of Best Value. There is, however, an imminent risk that the savings required in 2025/26 will not be delivered, placing additional pressure on partners for financial support.

2. Introduction

Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of East Renfrewshire Integration Joint Board ('IJB' or 'the Board') for the five year period to 2026/27.

We undertake our audit in accordance with the Code of Audit Practice (June 2021); Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other relevant guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both members of the IJB and the Accounts Commission and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

A key objective of audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Board employs best practice and where practices can be improved, and how risks facing the IJB can be mitigated. We use these insights to form audit recommendations to support the Board.

Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the IJB. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

Scope and responsibilities

The Code sets out the responsibilities of both the Board and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan which was presented to the Board's Performance and Audit Committee on 27 March 2024. There have been no material changes to the plan.

Our review and assessment of materiality

In our Annual Audit Plan, we communicated that our audit procedures would be performed using an overall materiality of £2.2 million. Exhibit 1 confirms that we have assessed that this level of materiality remains appropriate for the actual outturn for the 2023/24 financial year.

Performance materiality remains at 50% of overall materiality at £1.6 million.

Financial Statements audit

We are responsible for conducting an audit of the Board's financial statements. We provide an opinion as to:

- ▶ Whether they give a true and fair view of the state of the affairs of the IJB as at 31 March 2024 and of its income and expenditure for the year then ended
- ▶ Have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code.
- ▶ Whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

We outlined the significant risks and other focus areas for the 2023/24 audit in our Annual Audit Plan, which was presented to the Performance and Audit Committee on 29 March 2023. There have been no changes to our planned audit approach.

One significant risk was identified in relation to the risk of fraud in expenditure recognition, which includes the risk of management override of controls. We consider this risk to manifest itself through the manipulation of expenditure recognition. In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 3 of this report.

Exhibit 1: Updated materiality assessment in 2023/24 assessment

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £2 million. We have considered whether any change to our materiality was required in light of the income and expenditure in 2023/24 and concluded that no changes were required.



Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

| Wider scope and best value

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the IJB, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ The Board's arrangements to secure sound financial management.
- ▶ The regard shown to financial sustainability.
- ▶ Clarity of plans to implement the vision, strategy and priorities of the Board, and the effectiveness of governance arrangements for delivery.
- ▶ The use of resources to improve outcomes.

Our Annual Audit Plan identified one area of significant risk in relation to the wider scope dimensions, regarding the development of a robust Medium Term Financial Plan. Our findings are summarised in Section 4 of this report.

Our annual assessment of the IJB's arrangements to secure best value is integrated within our wider scope annual audit work.

3. Financial Statements

Introduction

The annual financial statements allow the IJB to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted one area that we identified as a fraud risk relating to the presumed risk of fraud in revenue and expenditure recognition, including through management override of controls. For the IJB, we consider this risk to manifest itself as an expenditure recognition risk.

Compliance with regulations

As part of our oversight of the IJB's financial reporting process we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The financial statements were prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2023/24.

The draft financial statements and supporting working papers were submitted for audit by 30th June 2023, in line with requirements. The financial statements and working papers were of a good quality.

We were satisfied that the IJB made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.

As part of the audit process, we worked with the finance team to make enhancements to the presentation of the financial statements, including going concern disclosures.

Audit outcomes

We identified no differences arising from the audit which have been reflected within the financial statements. Our overall audit opinion is summarised on the following page.

As part of the audit, we reviewed the financial statements and made a few comments aimed at improving the compliance with the Code of Accounting Practice, or to enhance the understanding of the financial statements. We worked with management to make amendments as appropriate and will continue to discuss good practice going forward.

Audit status

Our audit is substantially complete, subject to the following outstanding areas:

- ▶ Receipt of the confirmation of balances from the IJB's partner, NHS Greater Glasgow and Clyde; and
- ▶ Updated confirmation that there have been no subsequent events in the period to date of signing.]

| Audit approach

We adopted a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement.

Our audit involves:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IJB's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements.
- ▶ Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.
- ▶ Ensuring that reporting to the Performance and Audit Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- ▶ We rigorously maintain auditor independence (refer to Appendix B).

Exhibit 2: Our audit opinion

| Element of our opinion | Basis of our opinion | Conclusions |
|---|--|---|
| <p>Financial statements</p> <ul style="list-style-type: none"> ▶ Truth and fairness of the state of affairs of the IJB at 31 March 2024 and its expenditure and income for the year then ended. ▶ Financial statements in accordance with the relevant financial reporting framework and relevant legislation. | <ul style="list-style-type: none"> ▶ We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement. ▶ We are satisfied that accounting policies are appropriate and estimates are reasonable. ▶ We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland. | <p>[We have issued an unqualified audit opinion on the 2023/24 financial statements for the IJB.]</p> |
| <p>Going concern</p> <ul style="list-style-type: none"> ▶ We are required to conclude on the appropriateness of the use of the going concern basis of accounting. | <ul style="list-style-type: none"> ▶ We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis. ▶ Wider scope procedures including the forecasts are considered as part of our work on financial sustainability. | <p>In accordance with the work reported on page 15, we have not identified any material uncertainties.</p> |
| <p>Other information</p> <ul style="list-style-type: none"> ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit. | <ul style="list-style-type: none"> ▶ The Chief Financial Officer is responsible for other information included in the financial statements. ▶ We conduct a range of substantive procedures on the financial statements and our conclusion draws upon review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector. | <p>We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.</p> |

Exhibit 2: Our audit opinion (continued)

| Element of our opinion | Basis of our opinion | Conclusions |
|--|---|--|
| <p>Matters prescribed by the Accounts Commission</p> <ul style="list-style-type: none"> ▶ Audited part of remuneration report has been properly prepared. ▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared. | <p>Our procedures include:</p> <ul style="list-style-type: none"> ▶ Reviewing the content of narrative disclosures to information known to us. ▶ Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code. | <p>[We issued an unqualified opinion.]</p> |
| <p>Matters on which we are required to report by exception</p> | <p>We are required to report on whether:</p> <ul style="list-style-type: none"> ▶ Adequate accounting records have been kept. ▶ Financial statements and the audited part of the remuneration report are not in agreement with the accounting records. ▶ We have not received the information or explanations we require. | <p>We have no matters to report.</p> |

Our response to significant and fraud audit risks

We identified one significant risk within our 2023/24 Annual Audit Plan:

- ▶ Risk of fraud in expenditure recognition, including through management override of control (key audit matter).

What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

As there is no material judgement associated with the recognition of the IJB's funding from East Renfrewshire Council and NHS Greater Glasgow and Clyde, we have determined that the risk of revenue recognition does not materialise. We therefore consider this risk to be most prevalent in the following expenditure balances:

- ▶ Cost of services: £224.7 million;
- ▶ Cost of services prior year comparator: £218.7 million;
- ▶ Short-term creditors: £0.3 million; and
- ▶ Short-term creditors prior year comparator: £3.9 million.

Refer to accounting policies 1.2, 1.5, 1.8 and 1.9 (pages [58-60]) and notes 2, 4, 5 and 7 of the Financial Statements.

What judgements are we focused on?

For expenditure we focus on the risk in relation to the existence and occurrence of expenditure incurred by the IJB in commissioning services from the partners.

There may be judgement in the timing of the recognition of expenditure.

What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2023/24 our work included:

- ▶ We challenged management on how the IJB gains assurance over the expenditure it incurs and the basis of payments it makes to its partner bodies to deliver commissioned services.
- ▶ We reviewed the financial information that management present to the IJB that clarifies the source of information provided by each of the IJB partners. Reports to the IJB at the yearend also made clear that the yearend outturn represented the approval by the IJB of the final expenditure incurred in commissioning services from East Renfrewshire Council and NHS Greater Glasgow and Clyde.
- ▶ Review of additional revenue streams and cut-off testing for additional income received.
- ▶ As part of the year end process, we obtained written confirmation statements from the Director of Finance at NHS Greater Glasgow and Clyde and the Section 95 Officer at East Renfrewshire Council of the spend by the respective bodies on delivering services, and therefore their request for payment from the IJB to cover those costs. We obtained a copy of those confirmations and agreed figures within the financial statement to source documentation.
- ▶ We obtained independent confirmation from the appointed auditor at both the Council and NHS Greater Glasgow and Clyde of the income and expenditure transactions recorded at their respective audited bodies. The confirmations agreed the income and expenditure amounts transacted in the year.

| Risk of management override

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

| Risk of fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes over fraud.

| Testing on journal entries

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained all journals posted by management to record the transactions of the IJB, which are hosted on the East Renfrewshire Council financial ledger. All of the journals for the IJB's transactions were posted at the year end and we reviewed all transactions in the course of our work.

| Judgements and estimates

Following our prior year audit recommendation to formally implement agreed arrangements to address operational responsibilities for hosted services, the IJB worked with its partners and other IJBs within the NHS Greater Glasgow and Clyde area to update the documentation of arrangements for hosted services within the draft Integration Schemes.

We reviewed supporting documentation on the basis for the assessment of consumption of hosted services, agreed hosting arrangements for each service back to the integration scheme and reperformed calculations as appropriate. As a result of this work, we have not identified any audit adjustments.

We confirmed the process for ensuring that there were no claims applicable to the IJB that required provision to be made in relation to the CNORIS (Clinical Negligence & Other Risks Indemnity Scheme).

| Accounting policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the IJB to be appropriate and there were no significant accounting practices which materially depart from the Code.



Our conclusions

- ▶ [Our testing has not identified any material misstatements relating to revenue and expenditure recognition.
- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.]

Going concern

Audit requirements

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of the ongoing impact of Covid-19, the cost of living crisis and inflationary pressures, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Board and its financial sustainability.

Management's going concern assessment and associated disclosures cover the period following approval of the financial statements, to 31 March 2026.

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the IJB has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the Board's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- ▶ The completeness of factors considered in management's going concern assessment.
- ▶ The completeness of disclosures in the financial statements in relation to going concern and future financial pressures and how savings challenges in the short and medium term will be addressed.



Our conclusions

- ▶ We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key reports to the IJB and financial plans.
- ▶ While we concur with management's assessment that there are no material uncertainties in relation to the going concern of the IJB, we note the increasingly challenging financial position facing both the IJB and the wider sector. The Accounts Commission reported that 5 of the 31 IJBs across Scotland have no general reserves available to meet future unexpected cost pressures. There remains significant risk around the IJB's intention to increase general reserves during the period. Areas of overspend would result in recovery planning and possibly the necessity for additional contributions from the IJB's partners, Glasgow City Council and NHS Greater Glasgow and Clyde.

ISA (UK) 315: Identifying and assessing the risks of material misstatement

Audit requirements

As set out within our Annual Audit Plan, there has been a significant change to the auditing standard, ISA (UK) 315 and this impacted our 2023/24 audit approach and the procedures we needed to perform.

The standard drives our approach to:

- ▶ Risk assessment.
- ▶ Understanding the Board's internal control arrangements.
- ▶ The identification of significant risks.
- ▶ How we address significant risks.

Key changes to our audit approach as a result of the implementation of ISA 315 were:

- ▶ A significant increase in audit work on the IJB's use of IT in the systems of internal control across partner organisations.
- ▶ Increased importance of our understanding of the entity and environment, the applicable financial reporting framework, and system of internal control.

- ▶ A greater focus on professional scepticism including ensuring that audit approaches do not show bias to look for corroborative evidence or excluding contradictory evidence.
- ▶ We made enhanced inquiries of management and others within the IJB who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.
- ▶ We held discussions with key members of the IJB including in respect of the risks of fraud and considered the implications for the audit.



Our conclusions

- ▶ We identified 5 relevant IT systems and applications which contribute to the production of the Board's financial statements, with the majority of these systems and applications being hosted by the IJB's partners in East Renfrewshire Council and NHS Greater Glasgow and Clyde.
- ▶ Our work did not identify any significant weaknesses in the Board's systems of internal control.

4. Best Value and Wider Scope

Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- ▶ Financial management.
- ▶ Financial sustainability.
- ▶ Vision, Leadership and Governance.
- ▶ The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the IJB's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland.




For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

Best Value

The Code explains the arrangements for the audit of Best Value in Integration Joint Boards. The changes to IJBs anticipated from the Scottish Parliament's National Care Service Reports mean that the Accounts Commission will no longer require the Controller of Audit to report to the Commission on each IJB's performance on its Best Value duty.

As a result, the findings from our wider scope work have informed our assessment on Best Value themes in 2023/24.

Exhibit 4: Our RAG ratings

| | | |
|---|--------------|---|
|  | Red | Our auditor judgements are RAG rated based on our assessment of the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. |
|  | Amber | |
|  | Green | This takes account of both external risks not within the IJB's control and internal risks which can be managed by the Board, as well as control and process observations made through our audit work. |

Financial Management



Our overall assessment: Amber

The IJB recognised that the 2023/24 budget presented its most significant challenge to date. As a result of significant cost pressures, the IJB was required to identify savings of over £7 million to set a balanced budget in March 2023, and planned to use £1.9 million of reserve balances.

The IJB delivered £2.7 million (39%) of the targeted savings and as a result entered financial recovery planning during the year. Additional contributions were received from both of the IJBs partners. Management and members of the IJB recognise that it underestimated the impact and timeframe of the changes required to implement the Supporting People Framework.

2023/24 budget

The 2023/24 budget was set in March 2023 and relied upon the delivery of £7.06 million of savings to meet the IJB's statutory responsibility to set a balanced budget.

The budget recognised that 2023/24 represented a further step change in the level of financial pressure facing the IJB. Pressures identified within the budget totalled £10.34 million and included:

- ▶ Pay inflation and increments (£1.85 million).
- ▶ The estimated impact of the Scottish Living Wage and National Care Home Contract costs (£3.05 million).
- ▶ Demographic pressures leading to increase in demand for services (£2.3 million); and
- ▶ The recurring impact of legacy savings that were not delivered as planned (£2.44 million).

Additional funding, including commitments from the Scottish Government, offset £3.28 million of the cost pressures, leaving a remaining gap of £7.06 million. The critical nature of the IJB's reserves meant that all of this gap was required to be bridged by savings proposals. However, the budget also acknowledged that it was likely that all remaining useable reserves were likely to be used to support the financial position in 2023/24.

Financial Outturn

The 2023/24 reported outturn reflects the scale of the challenge set out within the budget. The operational overspend, prior to additional funding from partners, was £4.75 million, and was primarily as a result of:

- ▶ An overspend within Intensive Services where demand continues to exceed expectations, and saving planned were not delivered (£2.5 million); and
- ▶ An ongoing overspend in prescribing as a result of cost and volume increases that are difficult to control (£2.46 million).

As a result of the overspends, under the requirements of the Integration Scheme, the IJB moved to a financial recovery position. Each of the Board's partners provided additional, non-recurring funding in 2023/24 to fund the deficit as follows:

- ▶ East Renfrewshire Council provided £2.6 million; and
- ▶ NHS Greater Glasgow and Clyde provided £2.1 million.

In addition, the IJB drew significantly on reserves to mitigate cost pressures. This included a planned use of £1.9 million to smooth budget pressures, and a further net use of £2.28 million, including all remaining general reserves. As a result, the IJB now has just £1.86 million of earmarked reserves as at 31 March 2024.

| Savings achieved were significantly less than planned

The 2023/24 budget anticipated that savings would be delivered across a number of areas, including £2.04 million from service savings proposals and £3.2 million from the Supporting People Framework. As Exhibit 4 highlights, the IJB was able to deliver only £2.7 million, primarily as a result of the difficulty in implementing planned reductions in service provision.

The Supporting People Framework was developed to apply updated criteria to ensure that social care resources are prioritised and targeted on those with the greatest need, and in particular immediate and current risks.

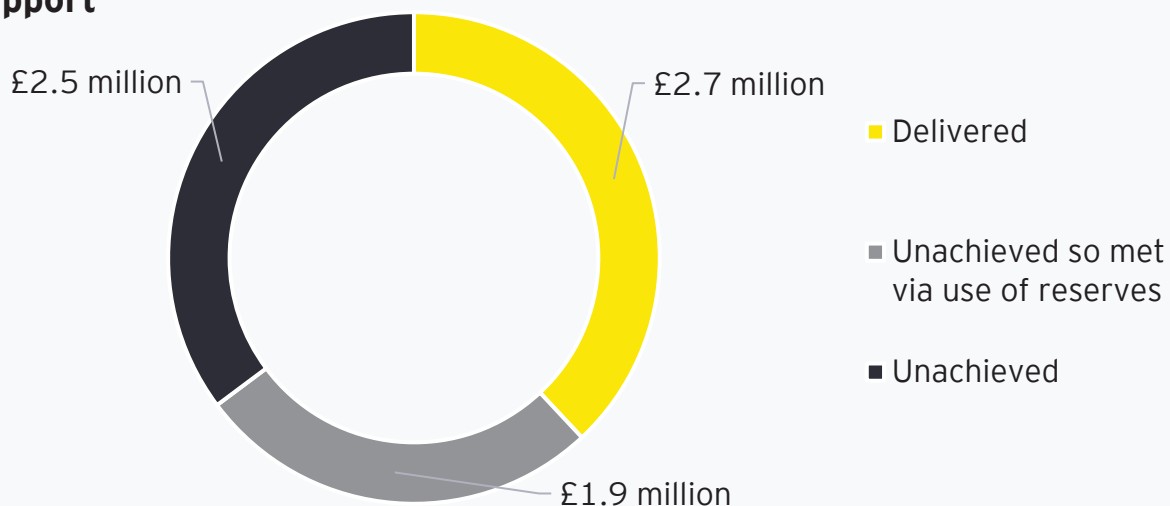
The Framework was implemented by initiating reviews of the level of packages provided to existing and future service recipients. Throughout the year, the IJB reported the difficulty in implementing service changes following the reviews at

the level expected. When it became clear that savings expected would not be delivered as planned, the financial recovery process was initiated.

As a result, in November 2023, the IJB instigated a move to apply further threshold restrictions to the packages of care available, to substantial and critical criteria. The IJB commenced a voluntary severance plan for staff employed by East Renfrewshire Council to be effective from April 2024. In addition, the IJB un-hypothecated reserves to offset areas where savings were not likely to be delivered.

The remaining pressures were offset by the additional funding from the IJB's partners, including £0.7 million of Covid-19 funding from East Renfrewshire Council. We noted in 2022/23 that the IJB was required to return all unspent Covid-19 funding to the Scottish Government, and future costs relating to the pandemic will remain a cost pressure for the IJB.

Exhibit 4: The IJB delivered £2.7 million (39%) of planned savings of £7.06 million in 2023/24. Unachieved savings were met using partner support



Any undelivered savings will continue to represent an added financial pressure for the IJB to be achieved in future years.

Budget monitoring reports were transparent and addressed key areas of risk

The IJB received regular budget monitoring reports throughout the financial year which were transparent and reflected the scale of the challenge facing the organisation. The reports included the forecasted outturn for the financial year, and therefore the projected impact on the Board's reserve balances.

Reporting acknowledged that the IJB underestimated the impact and timeframe for the culture and practice changes required to implement the Supporting People Framework changes, including how to manage the expectations of the individuals and families provided with support.

Exhibit 5 highlights that throughout the financial year, the IJB understood that service expenditure would be overspent against budget based on the risk rating of saving achievement.

A small improvement in the outturn against forecast was achieved as a result of:

- ▶ Reduced costs relating to the community learning disability service of £0.45 million, partly due to provider capacity limitations; and
- ▶ £0.2 million additional income to support unaccompanied asylum seekers.

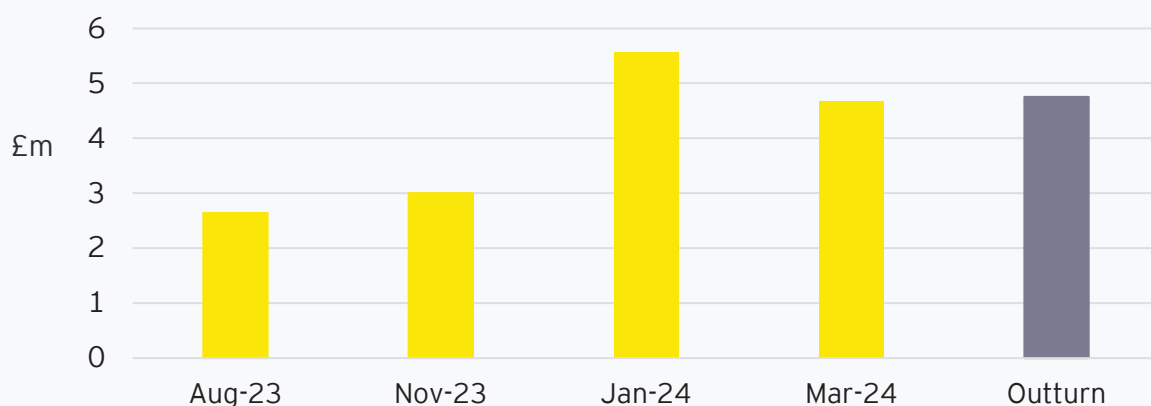
This was offset by previously unknown prescribing costs, following an error in new national system reports omitting cost information. This led to late additional costs of £0.25 million in 2023/24.

The Finance Team was impacted by vacancies late in the financial year

During 2022/23, we reported that the IJB had an experienced finance team and there was sufficient capacity to support the preparation and audit of the financial statements alongside financial planning and monitoring responsibilities.

Late in 2023/24, the IJB held a vacancy for the Accountancy Manager, following the resignation of the previous incumbent. As a result, the finance team had less capacity

Exhibit 5: Budget monitoring to the Board during the financial year



overall than in previous years.

A permanent Accountancy Manager was appointed in August 2024.

| Arrangements for hosted services were clarified during 2023/24

In 2022/23, we noted that East Renfrewshire Council hosts a number of services on behalf of the other IJBs within the NHS Greater Glasgow and Clyde area host. As part of our initial audit year, we noted that in practice there were no arrangements in place to document and review operational responsibilities for the hosted services.

Throughout 2023/24, the IJB worked with its partners and other IJBs within the NHS Greater Glasgow and Clyde area to update the Integration Scheme. Arrangements for hosted services were considered as part of the overall review, and changes have been agreed to describe the requirement to account for the activity and associated costs for all hosted services across their population using an appropriate methodology agreed by all partner Integration Joint Boards. As the approval of the Integration Scheme is beyond the control of the IJB, a paper was taken to the Chief Officers group of the six IJBs to confirm the revised operational and strategic arrangements in place.

Financial Sustainability



Our overall assessment: Red

In line with the IJB's financial planning expectations, the Board's reserve balances continued to fall significantly in 2023/24 to an unsustainable level. The IJB's General Reserve at 31 March 2024 has now been depleted in full.

The IJB estimates that the cumulative budget pressure in the period 2025/26 to 2028/29 may in the range £16.5 -£29.2 million. A savings requirement of £11.9 million has been set in the 2024/25 budget but delivery is currently off target, which would result in an additional recurring pressure in future years.

The Accounts Commission recently highlighted that the current delivery and funding of IJB services is unsustainable

The Accounts Commission published its annual report on [Integration Joint Boards: Finance and Performance](#) in July 2024. They found that IJBs across Scotland face a complex landscape of unprecedented pressures, challenges and uncertainties.

The health inequality gap is widening, there is an increased demand for services and a growing level of unmet and more complex needs.

The financial outlook for IJBs continues to weaken. Pressures arising from inflation, pay uplifts and Covid-19 legacy costs are making it increasingly difficult to sustain services at their current level. Real terms funding to IJBs decreased in 2022/23 and IJBs have had to achieve savings as part of their partner funding allocations for several years.

The projected funding gap for 2023/24 almost tripled from reported figures in 2022/23 and IJBs are increasingly having to make unsustainable savings through, for example, not filling staff vacancies and using financial reserves. This is not a sustainable approach to balancing budgets.

The Commission highlight that a whole system approach is needed to meet the scale of the challenges facing IJBs. They note that uncertainty in the direction of plans for a National Care Service has contributed to the difficult context for planning and delivering effective services. A revised timescale has indicated that local reform will now start in 2028/29.

The IJB's reserves have fallen to an unsustainable level

Across the sector, IJB reserves almost halved in 2022/23, decreasing by £560 million (including a reduction of £14.7 million in East Renfrewshire IJB). The decrease in the overall reserves balance was largely the result of a reduction in the reserves of funding that the Scottish Government specifically provided for the response to the Covid-19 pandemic.

The Commission note the importance of contingency reserves to mitigate the financial impact of unforeseen circumstances. In 2022/23, they reported that two-thirds of IJBs had contingency reserve levels of over two per cent of the net cost of services. East Renfrewshire IJB's uncommitted reserve was £0.272 million, representing around 0.19% of expenditure, although we note that five IJBs had no contingency reserves remaining at the same date.

Overall, East Renfrewshire IJB reserve balances fell by 71% in 2023/24

After excluding the Covid-19 reserves (see Exhibit 5), the IJB's reserves have fallen by £9.62 million since 2021/22. The reserves comprise of two elements. The first relates to earmarked and ringfenced funding that the IJB carries forward to meet expenditure where, for example, funding for specific purposes has not yet been used.

Each year the IJB plans to meet expenditure from earmarked reserves where, for example, funding for specific purposes has not yet been used. During 2023/24, the IJB drew down £4.52 million balances held in these reserves. As a result of new earmarked reserves totalling £0.34 million, the IJB's reserves reduced overall by £4.17 million in 2023/24.

The IJB project that £1.4 million of the remaining reserves will be used in 2024/25.

The IJB's General Reserve balance was exhausted in full

Like most public sector bodies, the IJB has set a target for its uncommitted General Reserve of 2% of net expenditure. At 31 March 2024, the IJB's uncommitted reserve was £0.272 million, representing around 0.19% of expenditure.

During 2023/24, this reserve was fully used to offset the non-delivery of planned savings, ahead of financial recovery actions. The Board therefore continues to breach its reserve policy.

The 2024/25 budget has outlined plans to support the rebuilding of general reserves in the future

The IJB set its 2024/25 budget in March 2025. The Board identified unfunded cost pressures of £9.8 million, including legacy savings to be met as a result of under-recovery in prior years of £3.8 million.

Exhibit 5: Reserves balances fell from £11.48 million in 2021/22 to £1.86 million (84%) in 2023/24



Note: For comparability purposes, this chart excludes the Covid reserves held by the IJB in 2021/22, which totalled £9.26 million

Savings identified within the budget totalled £9.8 million, but the Board noted that work was underway to develop proposals for a further £2.1 million of savings. This over-recovery would provide a degree of risk cover for the under-delivery of savings, and if achieved, would support the IJB's longer-term aspiration to rebuild reserves.

Exhibit 7 highlights that the most recent budget monitoring report, considered by the IJB in August 2024 assesses that £4.4 million (37%) of the savings target has been achieved to date. The IJB expects that £9.1 million will be delivered, leaving a shortfall of £0.7 million against the minimum budget gap requirement, and £2.7 million lower than planned.

At this stage, there is therefore no scope to rebuild reserves and additional financial recovery actions will be required in 2024/25.

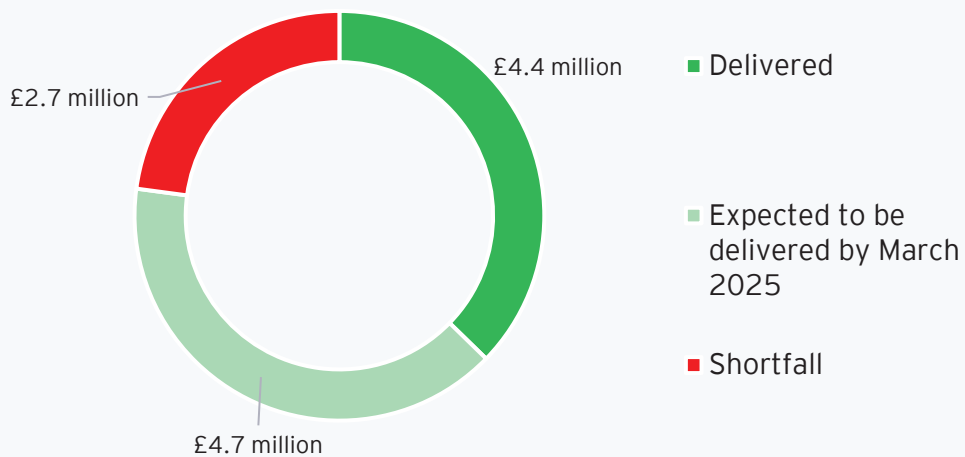
The IJB has updated its medium term financial outlook for the next five years

The IJB considered an update to the medium term financial plan in June 2024. The plan is intended to be a “living document” and budget monitoring reports provide regular updates.

As a result of ongoing risks and uncertainties within Scottish public finances, the plan draws upon scenarios and assumption modelling to plan for budget gaps. The Scottish Government is expected to publish a financial plan for health and social care in 2024.

The key assumption that the Board has adopted for future Scottish Government funding is flat cash. Scenarios are based on the level of cost pressures, and result in a cumulative budget pressure in the period 2025/26 to 2028.29 ranging from £16.5 million to £29.2 million.

Exhibit 7: Around 77% of savings are on track to be delivered in 2024/25



The Medium Term Financial Plan notes that the delivery of the required savings in 2024/25 is fundamental to ensuring that service delivery remains sustainable.

The IJB has adopted dashboard reporting for the Supporting People framework to allow real time monitoring of progress. The dashboard is reported both within the IJB, and to the IJB's partners, including to East Renfrewshire Council's Budget Strategy Group.

Recommendation 1: The IJB must develop a realistic and sustainable financial plan that balances the risk associated with savings and supports the rebuilding of reserves in the medium term.

Vision, Leadership and Governance

Our overall assessment: Green



Governance arrangements are established and worked well throughout 2023/24. The Annual Governance Statement was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the CIPFA Good Governance framework.

The IJB's partners made progress to update the Integration Scheme, including a consultation with key stakeholders. The Integration Scheme is expected to be approved by Scottish Ministers later in 2024.

The Annual Governance Statement demonstrates that it has the key requirements for good governance in place

The key aspects of the IJB's governance arrangements are required to be disclosed in the Annual Governance Statement within the financial statements. The Board concluded that they have obtained assurance that the system of internal control was operating effectively during the year.

We reviewed the governance statement against the requirements outlined in the CIPFA framework for *Delivering Good Governance in Local Government*, and against our understanding of the Board's arrangements in the period to 31 March 2024.

We were satisfied that it was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the CIPFA framework.

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an assessment of the financial control environment as part of our planning work, and updated our understanding as part of the year end audit. For the IJB, this required us to assess the systems across partner organisations.

Our work did not identify any significant weaknesses in the systems of internal control relevant to the preparation of the IJB's financial statements.

We have attended each of the Performance and Audit Committees ("PAC") during the year and we were satisfied that there was an appropriate level of challenge and scrutiny at meetings, and that management's assessment of compliance is consistent with matters arising at the committee.

The IJB has consulted on a revised Integration Scheme

We reported in 2022/23 that under the legislation that created IJBs, the Integration Scheme requires to be reviewed at least every five years. The review was delayed significantly by the COVID-19 pandemic.

During 2023/24, significant progress was made by East Renfrewshire Council and NHS Greater Glasgow and Clyde (NHSGGC) to update the current Integration Scheme.

The changes proposed include:

- ▶ Sections that referred to actions that have been completed since they were committed to in the original Scheme, or outdated terminology, such as the name of specific groups or structures
- ▶ Changes in legislation since the original Scheme, including the Carers Act and General Data Protection Regulation (GDPR); and
- ▶ Revised arrangements for services that are hosted by one IJB on behalf of one or more of the six within the Greater Glasgow and Clyde area.

A consultation exercise for the public and key stakeholders ended in January 2024 and is now subject to finalisation by the partners, ahead of approval by the Scottish Ministers.

| The IJB's Chief Internal Auditor concluded that reasonable assurance can be placed on the framework of governance, risk management and internal controls

The Internal Audit Annual Plan for 2023/24 was presented to the Performance and Audit Committee in September 2023. No specific audits were planned for the IJB or Health and Social Care Partnership (HSCP), and the plan therefore identified 11 of the 15 internal audit days available as contingency days for any emerging reviews.

The Chief Internal Auditor noted that there were planned audits with an impact on the IJB within the Council audit plan, for example, planned audits on HSCP

Emergency Payments, Thornliebank Resource Centre, Payroll, Payment to Care Providers, Creditors and Debtors Control.

The IJB's Internal Audit Annual Report [was considered] by the Performance and Audit Committee in September 2024.

The report summarises the opinions for the two partner bodies as the IJB uses the systems of East Renfrewshire Council and NHS Greater Glasgow and Clyde (NHSGGC) to manage its financial records.

The Council's internal audit's annual report and assurance statement concludes that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for the year ended 31 March 2024.

A total of eleven audits were conducted and reports issued by NHSGGC's internal auditors. None of the reports were classified as requiring immediate major improvement.

The Chief Internal Auditor provides summary details of all relevant internal auditors to the Performance and Audit Committee as they became available. In addition, follow up work is conducted on Council related actions to ensure that recommendations are implemented as agreed. The Internal Audit Annual Report notes that there are no outstanding IJB specific recommendations in 2023/24.

| The IJB's Performance and Audit Committee considered an update of progress against the CIPFA Financial Management Code in June 2024

In June 2023, the IJB's Performance and Audit Committee considered an assessment of the Board's arrangements against the requirements of CIPFA's Financial Management Code. The review concluded that the IJB is compliant, but outlined areas for development including:

- ▶ The continuing discussions with partners to ensure that demographic, demand and cost pressures the IJB face are fully evidenced and communicated;
- ▶ The delivery of £7 million savings in 2023/24; and
- ▶ The need to progress existing open audit recommendations.

An action plan was developed in 2023, and an updated assessment was reported to the Committee in June 2024. The assessment notes the impact of financial recovery planning discussions with partners throughout 2023/24, and the challenging savings programme required under the 2024/25 budget.

Within the assessment, the IJB has recognised the ongoing need for:

- ▶ strategic financial discussions with both partners to ensure that the demographic, demand and cost pressures that the IJB faces are fully evidenced and transparent;
- ▶ Effectively balancing the tension between delivering services and rebuilding the reserves position; and
- ▶ Increased focus on monitoring the impact of the Supporting People Framework to deliver savings as planned.

Use of resources



Our overall assessment: Green

The IJB has a well-developed approach in place to monitor and report on key areas of performance and was able to demonstrate key areas of improvement in 2023/24.

Overall performance remains mixed, and the IJB continues to highlight significant and ongoing financial risks within its risk registers that may undermine the delivery of the Strategic Plan.

The IJB regularly reports on its performance

A comprehensive Performance Framework is in place to support the Strategic Plan both operationally within the HSCP, and for scrutiny by the Performance and Audit Committee.

The Board has agreed a range of performance indicators to report on progress in the delivery of the Board's strategic priorities. Arrangements are also in place to demonstrate how the HSCP contribution to the priorities of their partners. For example, HSCP performance is reported against East Renfrewshire Council's Outcome Delivery Plan.

Twice a year, the HSCP holds a Performance Review meeting which is jointly chaired by the Chief Executives of NHS Greater Glasgow and Clyde and East Renfrewshire Council.

Quarterly Performance Reports are produced for scrutiny at the Performance and Audit Committee. The reports include charts to demonstrate outcomes against targets and management worked with the Chair to continue to improve forward looking and exception reporting for indicators that are off target.

We also note that the IJB considers presentations from individual service areas at each of their meetings to allow a deeper understanding of the performance and challenges.

Areas where presentations were considered by the Board included:

- ▶ Updates on the Delayed Discharge position at each meeting of the IJB;
- ▶ Adults Services; and
- ▶ The National Care Service position.

The Annual Performance Report highlights key achievements and challenges across each Strategic Priority area

The IJB published its Annual Performance Report in July 2024, in line with statutory requirements. The Report sets out how the IJB delivered on the vision and commitments within the Strategic Plan over 2023/24 and is structured around:

- ▶ The progress towards key priorities within the Strategic Plan;
- ▶ How the IJB has met the challenges of the pandemic;
- ▶ Financial performance and Best Value; and
- ▶ A summary of detailed performance indicators against target.

The IJB report on performance against target, but also highlight the direction of travel for each indicator, and plans for improvement where performance is lower than expected.

The IJB continued to experience challenge in the delivery of some services

Areas where performance has shown the greatest improvement in 2023/24 include:

- ▶ Percentage of children and young people starting treatment for specialist Child and Adolescent Mental Health Services within 18 weeks of referral (99% against a target of 90%, up from 86% in 2022/23);
- ▶ Percentage of those whose care need has reduced following re-ablement (63.9% against a target of 60%, up from 48% in 2022/23);
- ▶ People reporting quality of life for carers needs fully met (84.5% against a target and prior year outcome of 80%); and
- ▶ For Community Payback Orders - the percentage of unpaid work placement completions within Court timescales (89% against a target of 80%, up from 83% in 2022/23).

Exhibit 8 highlights that the IJB delivered most of the targets that it set for 2023/24.

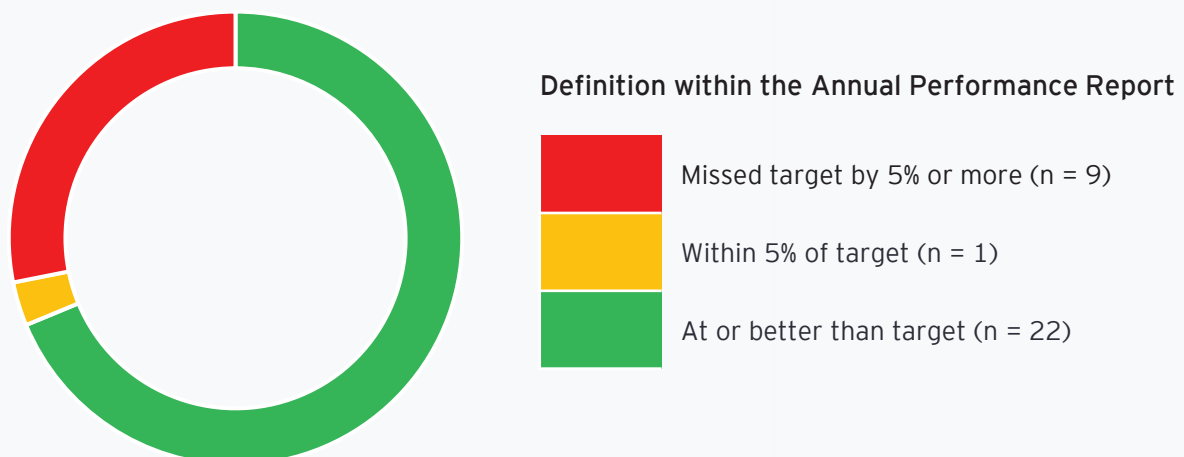
Areas of continuing challenge include:

- ▶ The percentage of children and young people subject to child protection who have been offered advocacy (65% against a target of 100%);
- ▶ Number of people self-directing their care through receiving direct payments and other forms of self-directed support;
- ▶ The percentage of people waiting no longer than 18 weeks for access to psychological therapies (84% against a target of 90%); and
- ▶ Acute Bed Days Lost to Delayed Discharge (Aged 18+ including Adults with Incapacity) (4,821 against a target of 1,893).

The Annual Report also reports on Organisational Measures. This highlights that sickness absence rates are persistently higher than target:

- ▶ Sickness absence rates for social work staff are 19.5 days against a target of 17.5 days; and
- ▶ Rates for NHS staff are 8.3% against a target of 4%.

Exhibit 8: The IJB achieved 69% of its targets in 2023/24



| The Accounts Commission highlight that data quality and availability is insufficient to assess the overall performance of IJBs

The Accounts Commission's July 2024 report (Integration Joint Boards: Finance and Performance) notes that there are gaps in the completeness of national performance information, including the national integration indicators that the IJB report within its Annual Performance Report.

The report notes that there are a range of challenges around the data that is currently collected, including:

- ▶ The current data does not provide good evidence on how the performance of one part of the system impacts on either other parts of the social care system or the system as a whole. This means the current performance data is of limited use in helping to inform system changes which might improve performance and deliver better long-term outcomes.
- ▶ There is too much emphasis on data that is used by individual organisations for

their governance and operational purposes rather than the collective partnership focus on its priorities; and

- ▶ Current arrangements do not reflect a 'whole-systems' approach to performance management and reporting.

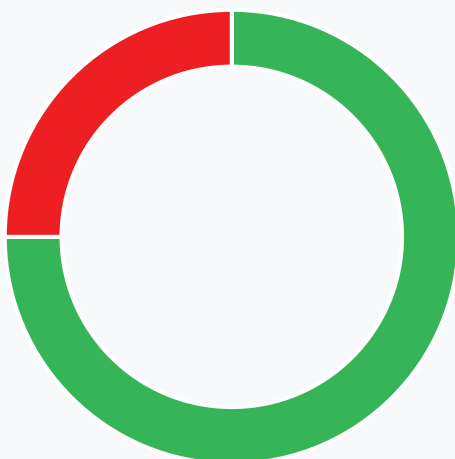
Exhibit 9 highlights that East Renfrewshire IJB reported performance against 16 of the 23 national integration indicators. Of the indicators reported, 75% were above the national average, and therefore assessed as "green" within the Annual Performance Report.

| The IJB continues to highlight significant and ongoing financial risks within its risk registers

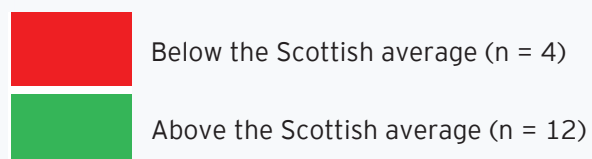
The Performance and Audit Committee receives an update on strategic risk management twice per year.

One risk remained "red" post-mitigating actions, relating to the Board's financial sustainability.

Exhibit 9: The IJB performed above the Scottish average for 75% of national integration indicators for which data was reported.



Definition within the Annual Performance Report



Best Value

The IJB's performance management and financial reporting arrangements allow the Board to demonstrate the delivery of Best Value. The Annual Performance Report describes the key achievements and areas for improvement against the priorities within the Strategic 2022-25.

The financial outlook for the IJB has continued to weaken. General reserves have been exhausted and remaining earmarked reserves have fallen to unsustainable levels. As a result of being unable to deliver planned savings in year, the IJB commenced a financial recovery exercise to bridge in-year budget gaps with its partners.

In our view, the IJB's performance management and financial reporting arrangements allow the Board to demonstrate the achievement of Best Value. There is, however, an imminent risk that the savings required in 2025/26 will not be delivered, placing additional pressure on partners for financial support.

Basis for our assessment

As auditor to the IJB, we are required to comment on how effectively, in our view, the IJB demonstrates that it meets its Best Value responsibilities.

As we noted in our Annual Audit Plan, the conclusions that we reach on the wider scope areas contribute to this consideration. We expect to develop our understanding of how the IJB meets its Best Value responsibilities over the course of our appointment.

Our assessment in 2023/24 therefore reflects the work conducted to support our wider scope responsibilities, and specifically:

- ▶ Documentation review and discussions with senior officers;
- ▶ Updating our understanding of key sector developments and reporting;
- ▶ Our consideration of the IJB's financial planning processes including the most recent Medium Term Financial Plan refresh (June 2024);
- ▶ Governance arrangements, including monitoring and scrutiny reports to the Performance and Audit Committee;
- ▶ Partnership arrangement with East Renfrewshire Council and NHS Greater Glasgow and Clyde;
- ▶ Our assessment of performance reporting to the Board; and

- ▶ The IJB's reporting against its Strategic Priorities within the Annual Performance Report 2023/24.

The IJB can demonstrate that it has the key elements needed to deliver Best Value in place

The IJB reported on progress against its Strategic Plan 2022-25 within the Annual Performance Report. The Accounts Commission noted in July 2024 that there has been a general decline in performance across IJBs. East Renfrewshire IJB's performance against key indicators is mixed, with downward trends across a range of indicators reflecting the increased complexity and demand pressures for services provided by the IJB.

In 2023/24 the IJB exhausted its remaining general reserves and entered financial recovery processes, requiring additional contributions from partners. The IJB has acknowledged that it underestimated the difficulty associated with saving plans that reduce the levels of services for individuals who and their families who receive existing care packages.

The IJB has been transparent about financial and performance management throughout the year and the relationship with partners remains strong. The IJB's financial position is now critical and savings must be delivered to support sustainability.

Appendices

A

Code of audit practice:
Responsibilities

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Independence report

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Required communications with
the Performance and Audit
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Timeline of communications and
deliverables

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Additional audit information

Code of audit practice: Responsibilities

Audited body responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- ▶ Preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ Maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures.
- ▶ Ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ Preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.
- ▶ Ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

A Code of audit practice: Responsibilities (cont.)

Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ Such financial monitoring and reporting arrangements as may be specified.
- ▶ Compliance with any statutory financial requirements and achievement of financial targets.
- ▶ Balances and reserves, including strategies about levels and their future use.
- ▶ How they Report to deal with uncertainty in the medium and longer term.
- ▶ The impact of reporting future policies and foreseeable developments on their financial position.

Responsibilities for best value, community reporting and performance

Local government bodies have a duty to make arrangements to secure best value. best value is defined as continuous improvement in the performance of the body's functions. In securing best value, the local government body is required to maintain an appropriate balance among:

- ▶ The quality of its performance of its functions.
- ▶ The cost to the body of that performance.
- ▶ The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- ▶ Efficiency.
- ▶ Effectiveness.
- ▶ Economy.
- ▶ The need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on best value (2020) requires bodies to demonstrate that they are delivering best value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

A Code of audit practice: Responsibilities (cont.)

Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

Appointed auditors' responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- ▶ Audit the accounts and place a certificate (i.e., an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act.
- ▶ Satisfy themselves, by examination of the accounts and otherwise, that:
 - ▶ The accounts have been prepared in accordance with all applicable statutory requirements.
 - ▶ Proper accounting practices have been observed in the preparation of the accounts.
- ▶ The body has made proper arrangements for securing best value and is complying with its community reporting duties.
- ▶ Hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

B Independence report

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the reporting stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

Required Communications

Planning Stage

- ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- ▶ The overall assessment of threats and safeguards.
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final Stage

- ▶ To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto.
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- ▶ An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of East Renfrewshire Integration Joint Board.

C Required communications

We have detailed below the communications that we must provide to the Board.

| | | Our reporting to you |
|--|---|--|
| Required communications | What is reported? | When and where |
| Terms of engagement | Confirmation by the Performance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | Audit Scotland Terms of Appointment letter (December 2022) - audit to be undertaken in accordance with the Code of Audit Practice. |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter. | Annual Audit Plan - March 2024 |
| Reporting and audit approach | Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. | Annual Audit Plan - March 2024 |
| Significant findings from the audit | <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures. ▶ Significant difficulties, if any, encountered during the audit. ▶ Significant matters, if any, arising from the audit that were discussed with management. ▶ Written representations that we are seeking. ▶ Expected modifications to the audit report. ▶ Other matters if any, significant to the oversight of the financial reporting process. ▶ Findings and issues regarding the opening balance on initial audits. | This Annual Audit Report - September 2024. |

C Required communications (cont.)

| | | Our reporting to you |
|--------------------------|---|--|
| Required communications | What is reported? | When and where |
| Going concern | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | This Annual Audit Report - September 2024. |
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation. ▶ The effect of uncorrected misstatements related to prior periods. ▶ A request that any uncorrected misstatement be corrected. ▶ Corrected misstatements that are significant. ▶ Material misstatements corrected by management. | This Annual Audit Report - September 2024. |
| Fraud | <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist. ▶ A discussion of any other matters related to fraud. | This Annual Audit Report - September 2024. |
| Internal controls | Significant deficiencies in internal controls identified during the audit. | This Annual Audit Report - September 2024. |

C

Required communications (cont.)

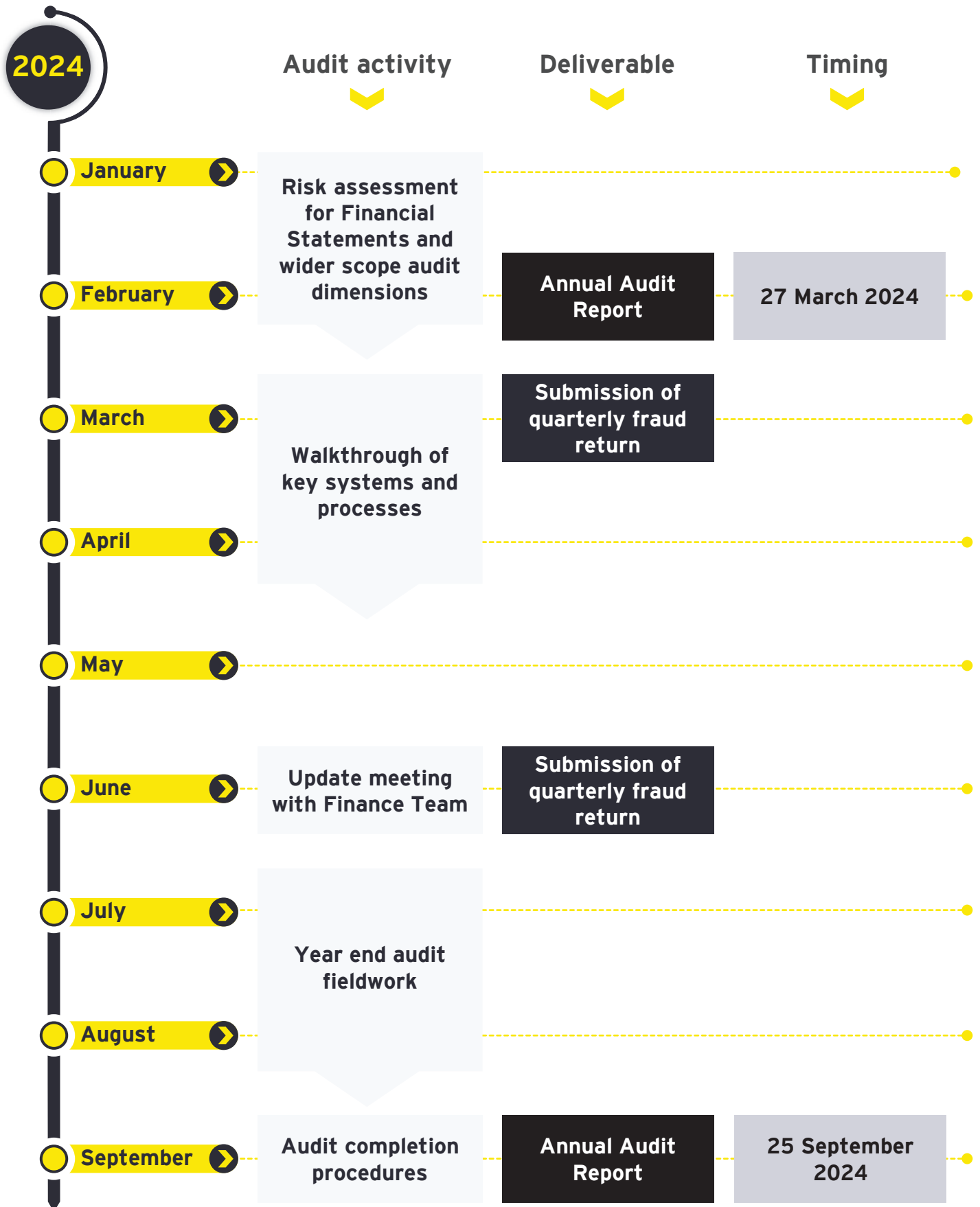
Our reporting to you

| Required communications | What is reported? | When and where |
|-------------------------------|---|---|
| Related parties | <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity | This Annual Audit Report - September 2024. |
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence | Annual Audit Plan and this Annual Audit Report. |
| External confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations. ▶ Inability to obtain relevant and reliable audit evidence from other procedures. | This Annual Audit Report - September 2024. |
| Representations | Written representations we are requesting from management and/or those charged with governance. | This Annual Audit Report - September 2024. |

C Required communications (cont.)

| | | Our reporting to you |
|--|---|--|
| Required communications | What is reported? | When and where |
| Consideration of laws and regulations | <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▶ Enquiry of the Performance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Performance and Audit Committee may be aware of. | This Annual Audit Report - September 2024. |
| Material inconsistencies and misstatements | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise. | This Annual Audit Report - September 2024. |
| Auditors report | Any circumstances identified that affect the form and content of our auditor's report. | This Annual Audit Report - September 2024. |
| Best value and wider scope judgements and conclusions | Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit. | This Annual Audit Report - September 2024. |
| Key audit matters | The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code. | This Annual Audit Report - September 2024. |

D Timeline of communication and deliverables



E Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Board or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

| No. | Findings and / or risk | Recommendation / grading | Management response / Implementation timeframe |
|-----|---|--|---|
| 1. | <p>Financially sustainable planning</p> <p>The IJB's General Reserves were exhausted during 2023/24 and earmarked reserves have fallen to an unsustainable position. The scale of the financial volatility facing the IJB, including, prescribing and pay inflation, and the difficulty of delivering savings due to the complexity of service user requirements mean that adequate general reserves are essential to manage the level of risk.</p> <p>There is a risk that financial recovery measures will be necessary in 2024/25 to deliver financial balance.</p> | <p>The IJB must develop a realistic and sustainable financial plan that balances the risk associated with savings and supports the rebuilding of reserves in the medium term.</p> <p style="text-align: right;"><i>Grade 1</i></p> | <p>Response: The budget agreed for 2024/25 included an over-recovery target for savings to allow for forward planning including rebuilding of reserves. The tension between delivering savings and building reserves, particularly in the current climate is recognised.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Implementation date: 31 March 2025</p> |

F Audit Fees

2023/24 Fees

The Board's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

| | 2023/24 | 2022/23 |
|---------------------------------------|----------------|----------------|
| Component of fee: | | |
| ▶ Auditor remuneration - expected fee | £35,420 | £33,960 |
| Audit Scotland fixed charges: | | |
| ▶ Performance audit and best value | £7,560 | £6,460 |
| ▶ Audit support costs | £1,290 | £1,290 |
| Sectoral price cap | (£10,910) | (£10,240) |
| Total fee | £33,360 | £31,470 |

As we outlined in our audit planning report, the expected fee for auditor remuneration, set by Audit Scotland, is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the IJB has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. This is the basis for the estimated level of time and skill mix involvement by auditors.

Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Audit Scotland Code of Practice.

G Follow up of prior year recommendations

This appendix sets out the recommendations that were made in 2022/23, along with our assessment of progress.

Prior year recommendations

| No. | Recommendation | Management response | Our assessment of progress |
|-----|--|--|---|
| 1. | <p>Hosted Services</p> <p>East Renfrewshire IJB hosts two services on behalf of other IJBs within the NHS Greater Glasgow and Clyde area. We noted that in practice there are no arrangements in place to document and maintain review of operational responsibilities.</p> <p>The IJB should ensure that operational arrangements are documented and maintained for hosted services.</p> <p style="text-align: right;">Grade 2</p> | <p>Response:</p> <p>Along with the other IJBs within NHSGGC we will review the arrangements and processes to support reporting on Hosted Services</p> <p>Responsible officer:</p> <p>Chief Financial Officer</p> <p>Implementation date:</p> <p>31 March 2024</p> | <p>Complete: As we note on page [20], the IJB worked with its partners and other IJBs within the NHS Greater Glasgow and Clyde area to update the documentation of arrangements for hosted services within the draft Integration Scheme. Changes have been agreed to describe the requirement to account for the activity and associated costs for all hosted services across their population using an appropriate methodology agreed by all partner Integration Joint Boards.</p> <p>A paper was taken to the Chief Officers group of the six IJBs to confirm the revised operational and strategic arrangements in place.</p> |

Follow up of prior year recommendations continued

Prior year recommendations

| No. | Recommendation | Management response | Our assessment of progress |
|-----|---|---|---|
| 2 | <p>Medium Term Financial Plan</p> <p>We note that under the level of current financial pressures, there is a risk that the IJB's General Reserves will be exhausted during 2023/24. There is therefore a need to work with partners to develop a sustainable funding position.</p> <p style="text-align: right;">Grade 1</p> | <p>Response:</p> <p>The current reporting to the IJB recognises the unprecedented financial challenges we are facing and that we are likely to deplete earmarked and general reserves during 2023/24.</p> <p>The IJB recognises the importance of the ongoing funding discussions with our partners that the Chief Officer and Chief Financial Officer are engaged in.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Implementation date: 31 March 2024</p> | <p>Ongoing: Each of the IJB's partners provided additional, non-recurring funding in 2023/24, but overall funding is not expected to keep pace with cost and demand pressures over the period of the medium term financial plan.</p> <p>Recommendation 1 highlights the urgent need to replenish General Reserves to support financial sustainability.</p> |

H Additional audit information

Introduction

In addition to the key areas of audit focus outlined within the Report, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities under auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Performance and Audit Committee reporting appropriately addresses matters

communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.

- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

- ▶ For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- ▶ Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- ▶ The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

H Additional audit information (cont.)

Audit Quality Framework/Annual Audit Quality Report

- ▶ Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- ▶ We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223>
- ▶ EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: https://www.ey.com/en_uk/about-us/transparency-report

This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Accounts Commission has appointed us as external auditor of East Renfrewshire Integration Joint Board for financial years 2023/24 to 2026/27.

This report is for the benefit of the Board and is made available to the Accounts Commission and Audit Scotland (together the Recipients).

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

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If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

EY | Building a better working world

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